




## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

NOV 16 2009

## Memorandum

To: Secretary

From: Mary L. Kendall   
Acting Inspector General

Subject: Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Years 2009 and 2008 (Report No. X-IN-MOA-0018-2009)

***INTRODUCTION***

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This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Department of the Interior (DOI) financial statements for fiscal years (FYs) 2009 and 2008. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI FY2009 and FY2008 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

***RESULTS OF INDEPENDENT AUDIT***

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In its audit report, KPMG issued an unqualified opinion on the DOI financial statements. However, KPMG identified six significant deficiencies in internal controls over financial reporting, of which none was considered a material weakness. In addition, KPMG identified two instances where DOI did not comply with laws and regulations, specifically, the Single Audit Act Amendments of 1996 and the Prompt Payment Act.

KPMG has also audited the financial statements for Departmental Offices. In addition, KPMG performed certain auditing procedures at Indian Affairs, Bureau of Reclamation, National Park Service, U.S. Geological Survey, Bureau of Land Management, U.S. Fish and

Wildlife Service, Minerals Management Service and Office of Surface Mining, Reclamation and Enforcement to support the DOI consolidated financial statement audit.

## ***EVALUATION OF KPMG AUDIT PERFORMANCE***

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To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with DOI management to discuss audit progress, findings, and recommendations;
- reviewed KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report, and the conclusions expressed therein. We do not express an opinion on DOI financial statements nor on KPMG's conclusions regarding the effectiveness of internal controls or compliance with laws and regulations.

## ***REPORT DISTRIBUTION***

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The legislation, as amended, creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and unimplemented recommendations. Therefore, we will include the information in the attachment in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

### **Attachments**

cc: Deputy Secretary  
 Chief Financial Officer  
 Chief Information Officer  
 Director, Office of Financial Management  
 Associate Director, Office of Financial Management  
 Focus Group Leader, Internal Control and Audit Follow-up, Office of Financial Management  
 Audit Liaison Officer, Office of Financial Management